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LISTING STATEMENT NO. 2378.

LISTED JULY 7, 1969.

6,005,078 Common Shares with a par value of 35¢ of which 5,131,478 are subject to issuance.

Stock Symbol "HDL".

Post Section 10.

Dial Quotation No. 2210.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

HUNTER DOUGLAS LIMITED

A Québec company resulting from the amalgamation by Letters Patent on December 31, 1963, of its predecessors, Hunter Douglas Ltd., (incorporated in 1947) and its wholly-owned subsidiary, Barton Machinery Limited, (incorporated in 1959), both Québec companies.

COMMON SHARES WITH THE PAR VALUE OF \$.35 EACH

(transferable in Montréal, Toronto, Calgary, Regina, Saint John, Vancouver, and Winnipeg.)

CAPITALIZATION AS AT JUNE 11, 1969.

| SHARE CAPITAL | | AUTHORIZED | ISSUED AND OUTSTANDING | TO BE LISTED |
|---|------|------------|---------------------------|--------------|
| 5% First Preferred shares of \$500 par value | | 2,000 | 2,000 | — |
| 5¾ % Second Preferred shares of \$20 par value | | 500,000 | — | — |
| Common shares of \$.35 par value | | 10,000,000 | 873,600 | 6,005,078 |
| Deferred shares of \$.35 par value | | 6,000,000 | 4,872,329 | |

1. APPLICATION

HUNTER DOUGLAS LIMITED (herein called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 6,005,078 common shares of which 873,600 have been issued and are outstanding as fully paid and non-assessable and the balance are reserved as follows:

- (a) 29,630 for subscription by employees.
- (b) 4,872,329 for conversion of outstanding deferred shares.
- (c) 218,206 for purchase under outstanding common stock options.
- (d) 11,313 for conversion of deferred shares which may be purchased under outstanding stock options.

2. REFERENCE TO PROSPECTUS

Reference is hereby made to the attached prospectus issued by the Company dated June 11, 1969, with respect to the offering of 873,600 Common shares, a copy of which prospectus is hereby incorporated in this application and made part hereof.

3. SHARES ISSUED DURING THE PAST TEN YEARS

Pursuant to the amalgamation of Hunter Douglas Ltd. and Barton Machinery Limited on December 31, 1963, the following shares were issued to the shareholders of each company in exchange for their shares in the amalgamated companies:

- 2,000 5% Cumulative \$500 par value Class "A" Preferred shares;
- 3 6% Non-cumulative \$100 par value Class "C" Preferred shares;
- 2,000 5% Cumulative \$500 par value First Preferred shares;
- 3,500 5% Cumulative \$100 par value Class "B" Preferred shares which together with 8,400 no par value common shares and other consideration were subsequently converted into 7,382 Class "A" \$100 par value shares following Supplementary Letters Patent dated January 9, 1964;
- 25,446 Common shares without par value.

The only shares issued by the Company were no par value Common shares issued to employees pursuant to a Stock Option Plan, as follows:

- 22 — April 6, 1965.
- 22 — October 7, 1965.
- 103 — August 14, 1968.
- 88 — May 7, 1969.

In accordance with Supplementary Letters Patent dated June 11, 1969:

- (a) the 25,681 no par value Common shares and the 7,382 Class "A" shares were converted into 5,259,429 Deferred shares with a par value of \$.35 each; and
- (b) 387,100 of these Deferred shares were converted into 387,100 \$.35 par value Common shares.

On June 11, 1969, 486,500 \$.35 par value Common shares were issued to Greenshields Incorporated following an Underwriting Agreement.

4. LISTING ON OTHER STOCK EXCHANGES

The Common shares of the Company have been listed on the Amsterdam Stock Exchange and will also be listed on the Montreal Stock Exchange.

5. STATUS UNDER SECURITIES ACTS

The 873,600 Common shares offered for sale by the prospectus referred to in paragraph 2 above were qualified for sale to the public under the laws of the Provinces of Canada (other than Prince Edward Island and Newfoundland) through appropriate registrants registered under the applicable laws of such Provinces.

6. FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

7. ANNUAL MEETINGS

The by-laws of the Company provide that the annual meeting of the shareholders of the Company shall be held at such time in each year and at such place within Québec as the board shall from time to time determine.

8. HEAD OFFICE AND OTHER OFFICES

The head and principal office of the Company is located at 2501 Trans-Canada Highway, Pointe Claire, Québec, Canada.

The Company has more than 70 subsidiaries with plants in many parts of the world as stated in the prospectus.

9. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common shares is Montreal Trust Company at Montréal, Toronto, Calgary, Regina, Saint John, Vancouver, and Winnipeg.

10. TRANSFER FEE

No fee is charged on the transfer of Common shares other than the customary Government stock transfer taxes.

11. AUDITORS

Messrs. Coppers & Lybrand, Chartered Accountants, 630 Dorchester Boulevard West, Montréal, Québec, are the auditors of the Company.

12. DIRECTORS AND OFFICERS

The names and home addresses of the directors and officers of the Company and their principal occupations with the Company held by each are set forth below:

| | | |
|--|------------------------|---|
| Henry Sonnenberg 72 Winnington Road London N.2., England | Director | Chairman of the Board, Hunter Douglas Limited |
| John Hewson Coleman 1321 Sherbrooke Street West Montréal, Québec, Canada | Director | Director and Executive Vice-President, a Canadian Chartered Bank |
| Frank Baldwin Craig 290 Sommervale Gardens Pointe Claire, Québec, Canada | Director and Treasurer | Executive Officer (Western Hemisphere), Hunter Douglas Limited |

New and Outstanding Issue



Hunter Douglas Limited

873,600 Common Shares

(par value \$.35 per share)

Of the 873,600 common shares offered by this prospectus, 486,500 shares are authorized but unissued shares being acquired from the Company and 387,100 shares are issued and outstanding shares being acquired from a Selling Shareholder, all as set out under the heading "Underwriting" on page 11 of this prospectus. The Company will not receive any part of the proceeds from the sale of the 387,100 shares being acquired from the Selling Shareholder.

There is no market for the common shares of the Company and the offering price was determined by negotiation among the Company, the Selling Shareholder and the Underwriter. Applications have been made to list these shares on the Toronto and Montreal Stock Exchanges. Acceptance of the listings will be subject to the filing of required documents and evidence of satisfactory distribution both within a period of ninety days.

Of the 873,600 common shares offered by this prospectus 516,000 shares will be offered in Canada by a Group managed by Greenshields Incorporated and 357,600 shares will be offered in Europe by a Group managed by N. M. Rothschild & Sons, Amsterdam-Rotterdam Bank N.V., and Kuhn, Loeb & Co., International.

Price: \$15.50 per share

| | Price to public | Underwriting discount | Proceeds to Company* | Proceeds to Selling Shareholder* |
|----------------|--------------------|--------------------------|-------------------------|-------------------------------------|
| Per Share..... | \$15.50 | \$0.87575 | \$14.62425 | \$14.62425 |
| Total..... | \$13,540,800 | \$765,055 | \$7,114,698 | \$5,661,047 |

*Before deduction of expenses of issue estimated at \$75,000 of which the Selling Shareholder has agreed to pay \$33,235.

We, as principals, offer these shares subject to prior sale, if, as and when delivered and accepted by us. Subscriptions will be received subject to rejection or allotment in whole or part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates in definitive form will be available for delivery on or about June 27, 1969.

Greenshields Incorporated

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All dollar amounts shown in this prospectus are expressed in Canadian dollars unless otherwise stated.

HUNTER DOUGLAS LIMITED

Hunter Douglas Limited is a Quebec company resulting from the amalgamation by letters patent dated December 31, 1963, of its predecessors, Hunter Douglas Ltd. (incorporated in 1947) and its wholly owned subsidiary, Barton Machinery Ltd. (incorporated in 1959), both Quebec companies. The letters patent have been amended by supplementary letters patent dated January 9, 1964, altering the capital of Hunter Douglas Limited, and June 11, 1969, the latter carrying out the operations described in Note 1(a) on page 16.

The head and principal office of Hunter Douglas Limited is located at 2501 Trans Canada Highway, Pointe Claire, Quebec, Canada.

Hunter Douglas Limited and its more than 70 subsidiaries ("Hunter Douglas Group" or the "Group") are engaged internationally in the development, manufacture and distribution of aluminum consumer and building products. The Hunter Douglas Group also develops, manufactures and sells machinery, machine tools and equipment. Its products are distributed in over 75 countries.

THE HUNTER DOUGLAS GROUP

The business of the Hunter Douglas Group originated in 1919 when Henry Sonnenberg, the present Chairman, founded what was the beginning of its machinery operations in Germany. After 30 years of growth in this industry the Group originated a continuous casting process for aluminum, expanded into the development of aluminum consumer products and manufacture of components therefor and created a network of franchised assembling distributors.

Expansion into the manufacture and distribution of aluminum products started in the United States in the late 1940's, spread to Canada and subsequently extended to most industrial nations. In 1956 the United States company, Hunter Douglas Aluminum Corporation, was sold. The Hunter Douglas Group retains all patent and trademark rights outside the U.S.A.

The Group has pioneered many of its product lines and markets and has actively pursued the policy of creating a worldwide enterprise, now employing more than 5,000 persons. During the last five years the Hunter Douglas Group's sales have expanded by more than 90% and the Group has established or substantially expanded its manufacturing operations in Canada, Holland, Germany, Australia, England, Spain, New Zealand, Colombia, Chile and Venezuela. At December 31, 1968, the geographic distribution of shareholders' equity was as follows:

| | |
|---------------------------------|-----|
| Canada | 30% |
| Europe | 50% |
| Australia and New Zealand | 15% |
| South America and other | 5% |

Consolidated Net Sales and Net Income of the Group from 1961 (being the first year for which audited consolidated financial statements were prepared in comparable form) to 1968 was as follows:

(in thousands of United States dollars)

| | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Net Sales . . . | 87,268 | 68,898 | 61,868 | 58,543 | 56,645 | 45,930 | 42,379 | 35,503 |
| Net Income . . | 5,105 | 3,405 | 2,899 | 2,975 | 3,388 | 2,890 | 2,628 | 2,114 |

CONSUMER, BUILDING AND ARCHITECTURAL PRODUCTS

Consumer, building and architectural products and semi-fabricated materials for industrial use are distributed in most major world markets and represent approximately 67% of the Group's consolidated sales. The majority of these products is manufactured from aluminum strip produced by the Group. The consumer products include a complete range of venetian blinds, shutters, awnings, insect screens, decorative wall panels and related products. Building and architectural products include suspended ceilings, exterior and interior facades and cladding, insulated sandwich wall systems, sun louvres and residential and commercial siding.

Marketing

Consumer, building and architectural products are marketed primarily through a network of over 300 assembling franchisees who are licensed under the Group's patents, trademarks and know-how to assemble, sell and install the products. The assembled consumer products are sold by distributors to retail stores, contractors or directly to the ultimate user. Building and architectural products are promoted to architects and builders.

The Group maintains approximately 750 patent registrations, 450 patent applications, 2,000 trade mark registrations and 40 trade mark applications in over 100 countries. 71 patent registrations, 16 patent applications and 35 trade mark registrations are maintained in Canada. Many of these registrations represent multiple country registrations of the same patent or trademark or multiple class registrations of the same trade mark. The patent registrations protect methods and equipment for continuous casting of metal strip, production of painted metal strip, plastic ladder tape and other components of the Group's building and architectural products and features and methods and equipment for the assembly or installation thereof, as well as features of industrial machine tools and packaging and paper processing equipment.

The Group provides intensive technical, administrative, promotional and advertising support to its franchisees and distributors. Through continuous and extensive advertising the Group has become a leading factor in many markets under its principal trademarks, such as Flexalum, Luxaflex, Luxalon, Luxaply and Luxafor. The Group exercises marketing and quality control over franchisees and finished products by specifying use of Group supplied equipment and components, limiting the handling of competitive products and setting minimum marketing standards. Terms of franchising agreements vary in accordance with local conditions with maximum duration usually not in excess of ten years. Other agreements permit both parties to cancel on as little as three months prior notice.

The sales and distribution methods adopted by the Group tend to secure its market position, permit low-cost mass production of standard materials in central locations and provide flexibility through assembly and distribution by independent local franchisees serving the special requirements of their markets.

Production

The Group has its major manufacturing facilities in Canada, Holland and Australia and operates other plants in New Zealand, Spain, Colombia, Venezuela and Chile.

Hunter Douglas Limited's Canadian manufacturing operations at Pointe Claire, Quebec, are primarily engaged in continuous coating, roll-forming and other processing of aluminum strip, which is manufactured into commercial and residential siding, and components for venetian blinds, awnings and suspended metal ceilings. This facility also manufactures unfinished plywood into decorative panelling for the building, home improvement, mobile home and trailer industries. The plant supplies a significant share of Canadian market requirements for its products and serves the Group's export markets in the Western Hemisphere and Far East.

The largest and most integrated aluminum products manufacturing facility of the Group is located in Rotterdam and owned by Hunter Douglas Holland, a partnership of two wholly-owned subsidiaries, Hunlas N.V. and N.V. Inland. The Rotterdam plant manufactures aluminum strip from ingot and scrap in a continuous process originated and developed by the Hunter Douglas Group, which efficiently produces aluminum strip of the high quality required in the Group's products. The process integrates melting, alloying, continuous casting, hot and cold rolling and heat treating operations. Further processing, supplemented by nearby branch facilities in Leek, includes continuous coating and roll-forming of aluminum strip, which is manufactured into components for venetian blinds, suspended metal ceilings and other building and architectural products.

The Dutch manufacturing facilities supply components for the Group's consumer and building products distributed in Europe, Africa and the Middle East. Hunter Douglas Holland also supplies semi-finished aluminum materials to Group companies in other parts of the world for further processing, thus permitting overall cost reductions from centralized integrated production. With a view to further integrating manufacturing operations, the Hunter Douglas Group intends to participate as a limited minority partner with Pechiney S.A., a major French aluminum producer, in an aluminum smelter to be constructed in Vlissingen, Holland. Present plans call for construction in two stages of 85,000 tons annual capacity each, the first to be completed in 1972 and the second in 1974. The cost of the first stage is expected to exceed \$100 million, a large part of which will be financed by local borrowing in addition to government subsidies. An understanding has been reached with Pechiney concerning the Group's participation in this limited partnership, but the exact percentage of participation and resulting equity contribution has not yet been finally determined. In any event no substantial investment of funds will be required prior to 1970. Participation in this smelter will satisfy part of Hunter Douglas Holland's requirements of aluminum ingot at a favourable and stable price.

The Group's principal Australian plant is located in Sydney and operated by a subsidiary, also called Hunter Douglas Limited ("HDA"), whose shares are listed on the Sydney and Melbourne Stock Exchanges. This plant is primarily engaged in cold rolling, continuous coating, roll-forming and other processing of aluminum strip, which is then manufactured into components for venetian blinds, awnings, insect screens and suspended metal ceilings, as well as siding, cladding and roofing tiles. In addition, the plant manufactures a full range of curtain fixtures, pull-shades, twines and cords.

Through a series of acquisitions and internal growth the business of HDA has substantially expanded and diversified so that it is now the largest Australian supplier for many of its products. By a tender offer made on May 20, 1968, HDA acquired all the shares of Dural Leeds Holdings Limited, formerly a publicly held corporation, engaged in the distribution and fabrication in Australia of building and home improvement products.

The Group's aluminum fabricating facilities in other countries are variously engaged in cold-rolling, continuous coating, roll-forming and further processing of aluminum and steel strip. While these operations have achieved strong penetration in their local markets, they are relatively small in comparison to the Group's Canadian, Dutch and Australian operations.

The Hunter Douglas Group uses virgin aluminum ingot and aluminum scrap for its continuous casting process. Ingot requirements are met by long term supply agreements with producers, as well as spot purchases throughout the world. Scrap is obtained from various sources. The Group continuously examines available opportunities for the supply of raw materials and does not anticipate difficulties in satisfying its requirements in the foreseeable future.

MACHINERY, MACHINE TOOLS AND EQUIPMENT

The machinery and machine tool production and marketing operations of the Hunter Douglas Group, accounting for approximately 33% of consolidated sales, are centred in West Germany, the United Kingdom and Holland. Distribution covers virtually every industrial country.

Wotan Werke G.m.b.H. ("Wotan"), a wholly owned subsidiary located in Duesseldorf, is a leading supplier in West Germany and foreign markets of horizontal boring, milling, internal grinding, injection moulding and die casting machines, equipment and tooling. Wotan's equipment is characterized by high precision and advanced technology, its market position having considerably expanded in the last ten years by complete redesign of previous lines and two major acquisitions. Wotan's production includes numerically controlled machines which can be automatically operated on preset programs controlled by punched tape, thereby reducing dependence on skilled, manual operation. Numerically controlled equipment provides operating efficiencies in volume production to an extent that is expected to render manually operated equipment obsolete for many applications and is therefore finding increasing acceptance in industry.

Westdeutsche Werkzeugmaschinen G.m.b.H. ("Wewag"), a wholly owned subsidiary with plants in Duesseldorf and Bremen, is in the business of acquiring and disposing of entire plants and individual capital equipment items. In the course of one such transaction, involving two automobile companies which had ceased manufacture, Wewag continued certain operations and, as a result, now produces and distributes automobile spare parts, as well as engines for recreational use. Snowmobile manufacturers in several parts of the world are the largest buyers of Wewag's engines, and in North America they purchased 11,000 such engines during 1968.

A branch of Hunter Douglas Limited in London, England, manufactures a diversified line of paper converting and packaging systems under the name SOAG. In the past two years, this branch has substantially broadened its product range in its marketing territory through exclusive manufacturing and distribution licences for carton gluers and related equipment from Ex-Cell-O Corporation and through patent acquisitions and licences from other packaging and paper processing equipment manufacturers. This division is also the exclusive distributor in the British Isles for approximately eighty-five manufacturers of machine tools and packaging, graphic arts and paper converting equipment.

Hunter Douglas Holland's Laagland division designs and produces in Rotterdam a variety of equipment for manufacture and assembly of aluminum products primarily used by the Group's own plants and licensees. Laagland also acts as exclusive distributor in Holland of machinery and equipment manufactured by others.

About 35% of the Hunter Douglas Group's 1968 machinery sales represented machines and equipment manufactured by others, although the products of no single outside manufacturer accounted for more than 5% of total machinery sales.

ORGANIZATION STRUCTURE

The central management of the Group is vested in the Board of Directors of Hunter Douglas Limited, which meets at its head office in Canada. The Group's Western Hemisphere operations, comprising the activities of Hunter Douglas Limited and its subsidiaries in all parts of the world other than Europe, Africa and the Near and Middle East, are supervised by the Executive Officer (Western Hemisphere) from Hunter Douglas Limited's Canadian head office. The Executive Officer (Europe), located in Rotterdam, supervises operations in Europe, Africa and the Near and Middle East.

Management of the various manufacturing and distribution units is decentralized. Each unit is operated by local management as an autonomous profit centre within approved budgets and programs supervised by the Executive Officer for the area and his staff.

PROPERTIES

The Group's manufacturing, office and warehousing facilities, principally in Holland, Germany, Canada and Australia, occupy a total floor space of over 2,300,000 square feet on approximately 7,000,000 square feet of land. More than 80% of the premises are owned and the balance is occupied under lease.

During the five years ended December 31, 1968, the Group's additions to property, plant and equipment amounted to U.S. \$21,800,000 or approximately 55% of the total cost of such fixed assets at that date. Of this sum, approximately U.S. \$7,000,000 represents expenditures for new buildings and additions, mostly modern single storey structures built to the Group's specifications to permit efficient manufacture of its products. Total additions to property, plant and equipment in 1968 were U.S. \$5,300,000.

Management believes that the Group's facilities are adequate for its present needs, and sufficient property is owned at most of its locations to allow for expansion.

RESEARCH AND DEVELOPMENT

The Group has consistently maintained a policy of intensive research, product and process development. The major manufacturing companies have research and development facilities staffed with more than 250 employees who are engaged in improving and expanding the existing range of products and processes, as well as development of new product lines and manufacturing techniques.

EXPANSION AND DIVERSIFICATION

A program of planned acquisitions has resulted in significant growth and diversification into new fields and industries. The purchase of Vereinigte Werkzeugmaschinen Fabriken A.G., a leading German manufacturer of die casting and horizontal boring machines, and the acquisition of Dural Leeds Holdings Limited referred to on page 5 reflect this policy.

As another approach to achieve growth and diversification, the Group has exploited its world-wide capabilities by introducing to additional countries served by the Group, product programs and techniques which had achieved success elsewhere. The introduction of aluminum residential siding in Australia and New Zealand, where the product was previously unknown, and the Group's entry into the manufacture of decorative plywood wall panels in Canada illustrate this approach.

The Group also has a program of seeking out and developing new profit opportunities in which its marketing and manufacturing skills can be utilized. An example is the Group's introduction in Holland and other European countries of domestic gas fired central heating systems through a 70% owned joint venture with Weil McLain Corporation, a leading United States manufacturer of such units. Development of large natural gas resources under the North Sea bed prompted the Group's entry into this business. Commencement of snow-mobile engine manufacture when this industry was in its infancy and showed promise of impressive growth also reflects the Group's flexibility in anticipating and meeting new opportunities.

Management's objective is to continue and broaden this expansion program in order to derive full benefit from the Group's position, facilities and experience in its various lines of endeavour. Creation of

a market for Hunter Douglas Limited's shares and raising of funds through this issue will further the acquisition program in the Western Hemisphere and elsewhere, for which a broad policy has been formulated.

OUTLOOK

The increasing acceptance and use of aluminum components in residential, commercial and industrial construction is of particular significance to the Hunter Douglas Group. In addition to design and erection benefits, aluminum offers certain advantages, such as resistance to weather and warping, lightness, durability and a broad range of surface finishes.

New building techniques are replacing many conventional methods, and management believes that aluminum and other prefabricated components should play an important role in meeting this demand. The Hunter Douglas Group intends to participate and benefit from these trends on an international basis by supply of existing products and its product development expertise, as well as manufacturing versatility through the Group's machinery division.

Performance of the machinery, machine tools and equipment division, while subject to general levels of new capital investment, is expected to benefit from its conversion, now substantially completed, to numerically controlled equipment. This conversion involved substantial non-recurring development costs which were currently expensed. On December 31, 1968, demand for the products of this division was strong and order backlog had increased approximately 86% from December 31, 1967.

USE OF PROCEEDS

The proceeds amounting to \$7,114,698 to be derived by Hunter Douglas Limited from the sale of 486,500 common shares will, after payment of its pro rata share of expenses estimated at \$41,765, be applied to the extent of \$5,000,000 to reduce temporarily indebtedness under existing lines of credit of which approximately \$600,000 was incurred in connection with the subscription to an additional 170,000 shares of HDA, an Australian subsidiary. The balance, namely \$2,072,933, will be added to consolidated working capital. It is expected that these funds will ultimately be used in the Group's expansion and diversification programs.

CONSOLIDATED CAPITALIZATION

| | Authorized | Outstanding at December 31, 1968 | Outstanding at March 31, 1969 | Outstanding upon completion of this financing ⁽⁴⁾ |
|--|--------------------------------|--|-------------------------------------|--|
| (in United States dollars) | | | | |
| DEBT⁽¹⁾ | | | | |
| Mortgage loans 4 $\frac{3}{4}$ %—7 $\frac{1}{4}$ % maturing through 1995..... | — | 3,881,691 | 3,870,778 | 3,870,778 |
| Sundry Indebtedness..... | — | 2,516,644 | 2,469,993 | 2,469,993 |
| MINORITY INTEREST | | | | |
| Preferred stock..... | — | 1,083,270 | 735,570 | 735,570 |
| Common stock and Surplus.... | — | 4,603,475 | 4,728,044 | 4,728,044 |
| CAPITAL STOCK⁽²⁾ | | | | |
| (in Canadian dollars) | | | | |
| 5% First Preferred shares of \$500 par value..... | (2,000 shs.) 1,000,000 | (2,000 shs.) 1,000,000 | (2,000 shs.) 1,000,000 | (2,000 shs.) 1,000,000 |
| 5 $\frac{3}{4}$ % Second Preferred shares of \$20 par value..... | (500,000 shs.) 10,000,000 | — | — | — |
| Common shares of \$.35 par value—..... | (10,000,000 shs.) 3,500,000 | (387,100 shs.) 135,485 | (387,100 shs.) 135,485 | (873,600 shs.) 305,760 |
| Deferred shares of \$.35 par value— ⁽³⁾ | (6,000,000 shs.) 2,100,000 | (4,872,329 shs.) 1,705,315 | (4,872,329 shs.) 1,705,315 | (4,872,329 shs.) 1,705,315 |

NOTES:

(1) Reference is made to Note 12(a) on page 18 with respect to long-term lease commitments.

(2) Giving effect to transactions referred to in Note 1 on page 16.

(3) Convertible into one common share each (see page 10).

(4) Does not reflect offering to employees described on page 11.

DIRECTORS AND OFFICERS

The names in full, home addresses, positions held with the Hunter Douglas Group and principal occupations of the directors and officers of Hunter Douglas Limited are set forth below.

| | | |
|--|------------------------|--|
| HENRY SONNENBERG | Director | Chairman of the Board Hunter Douglas Limited |
| 72 Winnington Road, London N.2., England | | |
| JOHN HEWSON COLEMAN | Director | Director and Executive Vice-President, A Canadian Chartered Bank |
| 1321 Sherbrooke Street West, Montreal, Quebec, Canada | | |
| FRANK BALDWIN CRAIG | Director and | Executive Officer (Western Hemisphere) Hunter Douglas Limited |
| 290 Sommervale Gardens, Pointe Claire, Quebec, Canada | Treasurer | |
| GUSTAV PETER FLECK | Director | Chairman, New Court Securities Corporation; Chairman, Amsterdam Overseas Corporation; Partner, N. M. Rothschild & Sons |
| Campbell Road, Bernardsville, New Jersey, U.S.A. | | |
| HANS JESSE FRANK | Director | Lawyer, Strasser, Spiegelberg, Fried & Frank |
| 211 Central Park West, New York, N.Y., U.S.A. | | |
| WALTER LEO HEYMAN | Director | Executive Officer (Corporate Diversification) Hunter Douglas Limited |
| Hill House, Bute Avenue, Petersham, Surrey, England | | |
| DR. CHRISTIAN FRIEDRICH KARSTEN | Director | Managing Director, Amsterdam—Rotterdam Bank N.V. |
| Rijksweg Oost 15, Laren, Holland | | |
| MARK OLIVER LAWRENCE LYNTON | Director | Management Consultant, Spencer Stuart & Associates |
| 203 Fox Meadow Road, Scarsdale, N.Y., U.S.A. | | |
| ALAN CLARENCE POND | Director | Managing Director, Hunter Douglas Limited of Australia |
| 92 William Edward Street, Longueville, New South Wales, Australia | | |
| RALPH SONNENBERG | Director | Executive Officer (Europe) Hunter Douglas Limited |
| 10 Konijnenlaan, Wassenaar, Holland | | |
| JOHN LOTHAR BRUHL | Secretary | Secretary, Hunter Douglas Limited |
| 29 Picardy Road, Baie d'Urfe, Quebec, Canada | | |

All directors and officers of Hunter Douglas Limited have held their present business affiliations for the past five years except Mr. Gustav Peter Fleck who has been a partner of N. M. Rothschild & Sons since January 1, 1968, and chairman of New Court Securities Corporation since inception (July, 1967).

Remuneration

The aggregate direct remuneration paid or payable by the Hunter Douglas Group to the directors and senior officers of Hunter Douglas Limited for the fiscal year ended December 31, 1968, was U.S. \$168,033 and for the three months ended March 31, 1969, was U.S. \$32,880. The estimated cost to the Hunter Douglas Group for the year ended December 31, 1968, of all pension benefits to be paid in the aggregate to such directors and senior officers, directly or indirectly, under their existing pension plans in the event of retirement at normal retirement age was U.S. \$36,567.

Management Interest

On July 28, 1968, Mr. Henry Sonnenberg sold to Hunter Douglas Limited all the shares of Hunter Douglas International Corporation (HDIC), then located at 660 Madison Avenue, New York, U.S.A., for U.S. \$454,000, approximately HDIC's book value at year end 1967. HDIC was primarily engaged in selling certain of the Group's products in the United States and export markets. It is now in the process of being wound up and its net assets are being distributed to Hunter Douglas Limited.

Mr. John Hewson Coleman, a director of Hunter Douglas Limited, is a director and executive vice-president of a Canadian Chartered Bank, which maintains banking relations with certain companies of the Group.

Mr. Gustav Peter Fleck, a director of Hunter Douglas Limited, is a partner of N. M. Rothschild & Sons, which has an interest in the Underwriting Agreement described on page 11.

Mr. Hans Jesse Frank, a director of Hunter Douglas Limited, is a partner in the law firm of Strasser, Spiegelberg, Fried & Frank, which receives fees for legal services rendered to the Group.

Dr. Christian Friedrich Karsten, a director of Hunter Douglas Limited, is a managing director of the Amsterdam—Rotterdam Bank N.V., which has an interest in the Underwriting Agreement described on page 11, maintains banking relations with certain companies of the Group and has a preferred stock interest in a subsidiary, Hunter Douglas International Ltd.

Mr. Mark Oliver Lawrence Lynton, a director of Hunter Douglas Limited, is a vice-president and director of Esaress International Group Inc. and senior vice-president of its Spencer Stuart & Associates division, which has received compensation for executive recruiting and management development services rendered to certain companies of the Hunter Douglas Group.

Certain of the directors and officers of Hunter Douglas Limited were indebted to two subsidiaries in an aggregate amount of U.S. \$173,588 as at April 28, 1969.

PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership, direct and indirect, of each person or company owning of record, or to the knowledge of the Hunter Douglas Group, beneficially, directly or indirectly, more than 10 per cent of the equity shares of Hunter Douglas Limited.

| Name and Address | Designation of Class | Type of Ownership | June 11, 1969(1) | | After This Issue | |
|---|------------------------|-----------------------|------------------|---------|------------------|---------|
| | | | Shares Owned | Class % | Shares Owned | Class % |
| Henry Sonnenberg 72 Winnington Road, London N.2., England | First Preferred Shares | Indirect (2) | 2,000 | 100.0 | 2,000 | 100.0 |
| | Common Shares | Indirect (3) | 387,100 | 100.0 | — | — |
| | Deferred Shares | Indirect (4) | 2,428,895 | 49.8 | 2,428,895 | 49.8 |
| Ralph Sonnenberg (5) 10 Konijnenlaan, Wassenaar, Holland | Deferred Shares | Record and Beneficial | 959,948 | 19.7 | 959,948 | 19.7 |
| Marion Sonnenberg Lynton (5) 203 Fox Meadow Road, Scarsdale, N.Y., U.S.A. | Deferred Shares | Record and Beneficial | 959,948 | 19.7 | 959,948 | 19.7 |

NOTES:

- (1) Being the date of supplementary letters patent altering the share capital of Hunter Douglas Limited and giving effect to the transactions shown in Note (1) page 16.
- (2) Owned beneficially and of record by Ralcan Inc., wholly owned by Henry Sonnenberg.
- (3) Owned beneficially and of record by Marcan Inc., wholly owned by Henry Sonnenberg.
- (4) Owned beneficially and of record by Ralcan Inc. (1,515,605 shs.) and Marcan Inc. (913,290 shs.)
- (5) Ralph Sonnenberg and Marion Sonnenberg Lynton are also beneficiaries under four trusts, each of which holds 123,960 deferred shares (2.5% of class) of Hunter Douglas Limited.

The following table sets forth the number of shares of Hunter Douglas Limited beneficially owned, directly and indirectly, by all directors and senior officers of the Hunter Douglas Group.

| <u>Designation of Class</u> | <u>June 11, 1969(1)</u> | | <u>After This Issue</u> | |
|--|-------------------------|----------|-------------------------|----------|
| | <u>Shares Owned</u> | <u>%</u> | <u>Shares Owned</u> | <u>%</u> |
| First Preferred Shares | 2,000 | 100.0 | 2,000 | 100.0 |
| Deferred Shares ⁽²⁾ | 3,416,541 | 70.1 | 3,416,541 | 70.1 |
| Common Shares | 387,100 | 100.0 | — | — |

NOTES:

(1) See Note (1) on page 9.

(2) Ralph Sonnenberg, a director and senior officer, is also a beneficiary under the trusts referred to in Note (5) on page 9.

DETAILS OF THE OFFERING

Shares Offered

The common shares of \$.35 par value offered by this prospectus have no preemptive or conversion rights and rank pari passu with the deferred shares in all respects other than as shown below. Dividends may be paid on the common shares without requiring simultaneous payment of dividends on the deferred shares.

Other Shares

Each deferred share of \$.35 par value is convertible at the holder's option at any time, except between declaration and record date of any dividend which may be declared on the common shares, into one common share and has no preemptive or other conversion rights. Dividends may be declared on the deferred shares only if at least that amount of dividends per share has been declared on the common shares at the same meeting of the Board of Directors.

In the event that stock dividends payable in common shares are declared or paid on the common shares, stock dividends payable in the same number of deferred shares per share may be declared or paid on the deferred shares. Dividends on the deferred shares which might otherwise be paid in cash may instead be paid in 5¾% \$20 par value Second Preferred shares using the par value of the Second Preferred shares to calculate the equivalent of such cash dividends in Second Preferred shares after adjustments for any taxes which may be paid or payable by Hunter Douglas Limited in respect of such distributions.

The 5% \$500 par value First Preferred shares and the 5¾% \$20 par value Second Preferred shares have no pre-emptive or conversion rights, are entitled to fixed, preferential, cumulative dividends (limited to a maximum accumulation of 10 years dividends in the case of the Second Preferred shares) and on liquidation are entitled to payment of par value and accumulated dividends in arrears in preference over the common and deferred shares.

Dividends may be paid on common and deferred shares notwithstanding that dividends on the Second Preferred shares may be in arrears if moneys available for payment of dividends on the Second Preferred shares after giving effect to such dividend payments on common and deferred shares exceed five times arrears of dividends on the Second Preferred shares.

Other Details respecting Shares

Each share is entitled to one non-cumulative vote, provided that the number of votes cast by the Second Preferred shares may in no event exceed ten per cent of the aggregate number of votes which are authorized to be cast by shares of all other classes outstanding.

The shares presently outstanding are and the shares offered by this prospectus will be outstanding as fully paid and non assessable.

The rights, conditions and limitations attaching to the common and deferred shares may be changed with the approval of the holders of at least two-thirds of the common and deferred shares present at a special general meeting called for such purpose and, in addition, if the proposed change adversely affects the outstanding common or deferred shares in a manner different from that in which it affects the outstanding shares of the other class, of at least two-thirds of the holders of shares of the class so adversely affected present at the special general meeting.

DIVIDEND RECORD AND POLICY

Hunter Douglas Limited has not during the past five years paid any dividends on its capital stock other than payments on its First Preferred shares as follows:

| | <u>1969*</u> | <u>1968</u> | <u>1967</u> | <u>1966</u> | <u>1965</u> | <u>1964</u> |
|------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Total amount | \$ 50,000 | \$ 25,000 | \$ 75,000 | \$100,000 | \$ 75,000 | \$ Nil |
| Per share | \$25.00 | \$12.50 | \$37.50 | \$50.00 | \$37.50 | \$ Nil |

*To June 11, 1969.

It has been the Group's policy to reinvest earnings rather than pay dividends and it is expected that this policy will be maintained over the near future.

ELIGIBILITY FOR INVESTMENT

In the opinion of counsel the common shares offered by this prospectus will be investments in which the Canadian and British Insurance Companies Act states that companies registered under Part III thereof may, without availing themselves for that purpose of the provisions of subsection (4) of Section 63 of the said Act, invest their funds.

UNDERWRITING

Hunter Douglas Limited and Marcan Inc. (the "Selling Shareholder"), under date of June 11, 1969 entered into an agreement with Greenshields Incorporated (the "Underwriter") whereby Hunter Douglas Limited agreed to issue and sell 486,500 common shares, the Selling Shareholder agreed to sell 387,100 outstanding common shares, and the Underwriter agreed to purchase all such shares, (being the shares offered by this prospectus) at a price of \$14.62425 per share, payable in cash against delivery at a closing to be held on or about June 27, 1969. The Underwriter has agreed to sell 357,600 of the underwritten shares to N. M. Rothschild & Sons, Amsterdam-Rotterdam Bank N.V., and Kuhn, Loeb & Co., International, for distribution outside Canada.

OFFERING TO EMPLOYEES

In addition to the 873,600 common shares offered by this prospectus, up to 29,630 common shares are being offered concurrently by Hunter Douglas Limited to employees in the Hunter Douglas Group at a price of \$14.62425 per share, being equivalent to the net proceeds per share to Hunter Douglas Limited of the issue of the shares offered by this prospectus.

STOCK OPTIONS

218,206 authorized but unissued common shares and 11,313 authorized but unissued deferred shares of Hunter Douglas Limited are reserved for purchase by officers and employees under stock option plans. Options to purchase 98,415 common and 11,313 deferred shares are outstanding as of the date of this prospectus as follows:

| <u>Optionees</u> | <u>Shares</u> | <u>Date of Grant</u> | <u>Option Price per Share</u> | <u>Expiration Date</u> |
|----------------------------------|----------------|----------------------|-----------------------------------|----------------------------|
| Directors and Senior Officers | 4,900 common | June 10, 1969 | Can. \$15.50 | June 9, 1974 |
| All other Employees | 6,502 deferred | July 7, 1967 | U.S. \$ 4.58 | July 6, 1972 |
| | 4,811 deferred | Feb. 27, 1968 | U.S. \$ 5.23 | Feb. 26, 1973 |
| | 17,815 common | Feb. 27, 1968 | U.S. \$ 5.23 | Feb. 26, 1973 |
| | 75,700 common | June 10, 1969 | Can. \$15.50 | June 9, 1974 |

In the absence of an established trading market for common shares of Hunter Douglas Limited, the Board of Directors, pursuant to the provisions of the stock option plan, determined the prices of the respective options based on their best estimate of fair value, relying on the opinion of independent experts.

1,821 deferred shares acquired by a senior officer through exercise of stock options are held in escrow subject to a right of purchase by a subsidiary of Hunter Douglas Limited, under certain conditions depending on length of employment.

On January 17, 1967, Hunter Douglas Limited's Australian subsidiary, HDA, granted options to certain of its employees to purchase 100,000 of its ordinary shares of A \$1.00 par value at a price of A \$1.50 per share as follows:

| <u>Optionees</u> | <u>Option Period</u> | <u>No. of Shares</u> |
|--------------------------------------|-------------------------------------|----------------------|
| Directors and } Senior Officers } | From Jan. 17, 1970 to Jan. 17, 1972 | 8,000 |
| | From July 17, 1971 to Jan. 17, 1972 | 12,000 |
| All other } Employees } | From Jan. 17, 1970 to Jan. 17, 1972 | 32,000 |
| | From July 17, 1971 to Jan. 17, 1972 | 48,000 |

The quoted market value of the ordinary shares of HDA on April 16, 1969, was A \$3.40 and on January 17, 1967, was A \$1.65.

MATERIAL CONTRACTS

Within the last three years preceding the date of this prospectus the Group has not entered into any material contracts outside its ordinary course of business, other than the contract with Henry Sonnenberg and the agreement with the Underwriter referred to under the headings "Management Interest" on page 9 and "Underwriting" on page 11 respectively.

Copies of relevant agreements may be inspected during ordinary business hours at the head office of Hunter Douglas Limited, 2501 Trans Canada Highway, Pointe Claire, Quebec, during the period of primary distribution of the shares hereby offered and for a period of 30 days thereafter.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the shares of Hunter Douglas Limited is Montreal Trust Company at Montreal, Toronto, Calgary, Regina, Saint John, Vancouver and Winnipeg.

AUDITORS

The auditors of Hunter Douglas Limited are Coopers & Lybrand, Chartered Accountants, 630 Dorchester Boulevard West, Montreal, Canada.

LEGAL MATTERS

Legal matters in connection with the creation, issue and sale of the 873,600 common shares offered by this prospectus will be passed upon on behalf of the Underwriter by Messrs. Doheny, Day, Mackenzie & Lawrence, Montreal, and on behalf of the Group and the Selling Shareholder by Messrs. Stikeman, Elliott, Tamaki, Mercier & Robb, Montreal, on whose opinions as to certain matters counsel for the Underwriter will rely.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 63 and 64 of The Securities Act, 1966 (Ontario), sections 63 and 64 of The Securities Act, 1967 (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan) and sections 63 and 64 of The

Securities Act, 1968 (Manitoba) provide, in effect, that where a security is offered to the public in the course of primary distribution, in certain events and subject to certain conditions:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or amended final prospectus offering such security is received or is deemed to be received by him or his agent; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, if the final prospectus or any amended final prospectus offering such security, as of the date of receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such final prospectus or amended final prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above while still the owner of the security and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statement and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission based on non receipt of a prospectus must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the said Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Hunter Douglas Limited and Subsidiaries
CONSOLIDATED BALANCE SHEET
AND PRO FORMA CONSOLIDATED BALANCE SHEET

as at December 31, 1968
(expressed in United States dollars)

| | Balance sheet | Pro forma Balance sheet (Note 1) |
|---|----------------------------|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash..... | \$ 2,317,381 | \$ 4,279,623 |
| Notes and accounts receivable (less allowance for doubtful notes and accounts receivable—\$1,389,781)..... | 21,107,297 | 21,107,297 |
| Inventories (note 3)— | | |
| Finished goods..... | 14,217,449 | 14,217,449 |
| Work in process..... | 8,735,788 | 8,735,788 |
| Raw materials..... | 8,466,807 | 8,466,807 |
| Total current assets..... | <u>54,844,722</u> | <u>56,806,964</u> |
| INVESTMENT IN AND ADVANCES TO AFFILIATES AND SUBSIDIARIES NOT CONSOLIDATED—at cost (note 2)..... | <u>260,767</u> | <u>260,767</u> |
| OTHER ASSETS (note 4)..... | <u>3,150,004</u> | <u>3,150,004</u> |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land..... | 3,475,423 | 3,475,423 |
| Buildings..... | 14,222,902 | 14,222,902 |
| Machinery and equipment..... | 21,984,700 | 21,984,700 |
| Cost..... | 39,683,025 | 39,683,025 |
| Accumulated depreciation..... | 16,533,287 | 16,533,287 |
| | <u>23,149,738</u> | <u>23,149,738</u> |
| INTANGIBLE ASSETS | | |
| Patents and trademarks—at cost | | |
| less amortization..... | 348,572 | 348,572 |
| Excess of cost of shares over net assets of subsidiaries..... | 1,670,637 | 1,670,637 |
| | <u>2,019,209</u> | <u>2,019,209</u> |
| | <u><u>\$83,424,440</u></u> | <u><u>\$85,386,682</u></u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank advances (note 5)..... | \$11,139,368 | \$ 6,501,868 |
| Accounts payable—trade..... | 11,201,883 | 11,201,883 |
| Accrued wages and other compensation..... | 1,282,977 | 1,282,977 |
| Other accounts payable and accrued expenses..... | 5,041,536 | 5,041,536 |
| Income taxes..... | 3,858,182 | 3,858,182 |
| Long-term debt due within one year..... | 1,033,793 | 1,033,793 |
| Total current liabilities..... | <u>33,557,739</u> | <u>\$28,920,239</u> |
| OTHER LIABILITIES | | |
| Provision for warranties..... | 1,210,804 | 1,210,804 |
| Provision for pensions..... | 1,875,723 | 1,875,723 |
| Deferred taxes..... | 1,230,607 | 1,230,607 |
| | <u>4,317,134</u> | <u>4,317,134</u> |
| LONG-TERM DEBT (note 6)..... | <u>6,398,335</u> | <u>6,398,335</u> |
| MINORITY INTEREST (including an amount of \$1,083,270 attributable to preferred shares)..... | <u>5,686,745</u> | <u>5,686,745</u> |
| | <u>49,959,953</u> | <u>45,322,453</u> |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (notes 7, 8 and 9)..... | 3,143,411 | 2,833,372 |
| CONTRIBUTED CAPITAL (note 10)..... | 2,012,600 | 8,922,381 |
| RETAINED EARNINGS (note 11)..... | 28,308,476 | 28,308,476 |
| | <u>33,464,487</u> | <u>40,064,229</u> |
| | <u><u>\$83,424,440</u></u> | <u><u>\$85,386,682</u></u> |

APPROVED ON BEHALF OF THE BOARD:

FRANK BALDWIN CRAIG, Director.

MARK OLIVER LAWRENCE LYNTON, Director.

Hunter Douglas Limited and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

for the five years ended December 31, 1968

(expressed in United States dollars)

| | 1968 \$ | 1967 \$ | 1966 \$ | 1965 \$ | 1964 \$ |
|--|------------|------------|------------|------------|------------|
| SALES, less returns and allowances . . . | 87,267,585 | 68,898,023 | 61,868,028 | 58,543,100 | 56,645,300 |
| COST OF SALES | 56,393,012 | 44,460,505 | 40,132,167 | 38,269,400 | 36,538,300 |
| GROSS PROFIT | 30,874,573 | 24,437,518 | 21,735,861 | 20,273,700 | 20,107,000 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 20,555,644 | 17,375,195 | 15,813,279 | 13,661,300 | 13,243,100 |
| INCOME FROM OPERATIONS | 10,318,929 | 7,062,323 | 5,922,582 | 6,612,400 | 6,863,900 |
| OTHER EXPENSES AND (INCOME) | | | | | |
| Interest expense—long-term debt . . . | 541,610 | 628,501 | 524,637 | 399,400 | 375,100 |
| —other | 682,944 | 380,222 | 441,409 | 361,600 | 264,800 |
| Foreign exchange | 257,040 | 68,921 | 113,748 | 117,500 | 87,600 |
| Interest income | (365,686) | (373,809) | (356,862) | (180,500) | (153,900) |
| Miscellaneous | 56,483 | 52,156 | (33,683) | (58,100) | 35,900 |
| Loss on liquidation of foreign branch | — | — | — | 220,400 | — |
| | 1,172,391 | 755,991 | 689,249 | 860,300 | 609,500 |
| INCOME BEFORE INCOME TAXES | 9,146,538 | 6,306,332 | 5,233,333 | 5,752,100 | 6,254,400 |
| INCOME TAXES | 3,533,818 | 2,498,259 | 2,053,369 | 2,473,600 | 2,560,500 |
| INCOME BEFORE MINORITY | | | | | |
| INTEREST | 5,612,720 | 3,808,073 | 3,179,964 | 3,278,500 | 3,693,900 |
| MINORITY INTEREST | 507,335 | 402,724 | 281,439 | 303,400 | 305,800 |
| NET INCOME | 5,105,385 | 3,405,349 | 2,898,525 | 2,975,100 | 3,388,100 |
| NET INCOME EXPRESSED IN CANADIAN DOLLARS, assuming \$1.00 United States equals \$1.0725 Canadian | 5,475,525 | 3,652,237 | 3,108,668 | 3,190,795 | 3,633,737 |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the five years ended December 31, 1968

(expressed in United States dollars)

| | | | | | |
|---|------------|------------|------------|------------|------------|
| BALANCE—BEGINNING OF YEAR | 23,226,337 | 19,891,076 | 17,085,800 | 14,180,400 | 10,792,300 |
| Net income | 5,105,385 | 3,405,349 | 2,898,525 | 2,975,100 | 3,388,100 |
| | 28,331,722 | 23,296,425 | 19,984,325 | 17,155,500 | 14,180,400 |
| Dividends on preferred shares | 23,246 | 70,088 | 93,249 | 69,700 | — |
| BALANCE—END OF YEAR | 28,308,476 | 23,226,337 | 19,891,076 | 17,085,800 | 14,180,400 |

Hunter Douglas Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the five years ended December 31, 1968

and to the Pro Forma Consolidated Balance Sheet as at December 31, 1968

(expressed in United States dollars excepting share par values which are stated in Canadian dollars)

1. PRO FORMA BALANCE SHEET

The pro forma balance sheet gives effect to the following transactions:

- (a) By supplementary letters patent dated June 11, 1969,
 - (i) conversion of 62,737 unissued no par value common shares into 313,685 unissued 5¾% \$20 par value Second Preferred shares.
 - (ii) conversion of 500 unissued \$100 par value Class "B" Preferred shares into 2,500 unissued 5¾% \$20 par value Second Preferred shares.
 - (iii) creation of 183,815 additional 5¾% \$20 par value Second Preferred shares.
 - (iv) creation of 10,000,000 \$.35 par value common shares.
 - (v) conversion of 25,681 outstanding no par value common shares (including 88 optioned no par value common shares—pro forma 11,443 \$.35 par value deferred shares—recently issued for U.S. \$39,600) into 3,339,533 \$.35 par value deferred shares.
 - (vi) conversion of 7,382 outstanding \$100 par value Class "A" shares into 1,919,896 \$.35 par value deferred shares.
 - (vii) creation of 740,571 additional \$.35 par value deferred shares.
 - (viii) cancellation of 2,000 \$500 par value Class "A" Preferred shares, 3,500 \$100 par value Class "B" Preferred shares and 3 \$100 par value Class "C" Preferred shares, all of which have been issued and redeemed.
- (b) Conversion of 387,100 \$.35 par value deferred shares into 387,100 \$.35 par value common shares.
- (c) Issue and sale to an underwriter of 486,500 \$.35 par value common shares for \$6,598,882 cash and application of proceeds to:
 - (i) payment of expenses of issue estimated at \$38,740.
 - (ii) reduction of bank advances by \$4,637,500.
 - (iii) increase of cash by \$1,922,642.

2. PRINCIPLES OF CONSOLIDATION

- (a) The consolidated financial statements include the accounts of Hunter Douglas Limited and its wholly or majority owned subsidiaries with the exception of certain subsidiaries which are in the course of formation or whose operations are not significant and are not directly related to those of the group. The Group's share in the equity of these subsidiary and affiliated companies was at least equal to the amounts shown as its investment therein. All 50% owned companies have also been consolidated as their operations form an integral part of the operations of the group.
- (b) The consolidated financial statements are expressed in United States dollars and have been translated from other currencies as follows:

Current assets and liabilities at rates of exchange at the balance sheet date; long-term assets and liabilities and shareholders' equity at rates of exchange applicable at the time of acquisition or when the debt was incurred; income and expenses other than depreciation and amortization at the average rates of exchange during the year.

3. INVENTORIES

Finished goods and work-in-process are stated principally at the lower of average production cost or market. Raw materials are stated principally at the lower of cost (on a first-in first-out basis) or market.

4. OTHER ASSETS

Other assets include the following items with respect to employee housing projects and debt thereon which do not have any direct relation to the companies' normal operations:

| | |
|--|--------------------|
| Land and buildings—at cost..... | \$2,850,139 |
| Accumulated depreciation..... | 359,571 |
| | <u>\$2,490,568</u> |
| Mortgage loans (other than current portion of \$193,305 included in accounts payable)..... | 1,620,588 |
| | <u>\$ 869,980</u> |

5. BANK ADVANCES

Bank advances to certain subsidiaries amounting to \$731,104 have been secured by pledge of assets of such subsidiaries.

6. LONG-TERM DEBT

| | |
|---|--------------------|
| Unsecured loans and notes payable..... | \$2,516,644 |
| 4¾%—7¼% mortgage loans, maturing in varying instalments through 1995..... | 3,881,691 |
| | <u>\$6,398,335</u> |

The aggregate annual amount of maturities over the next five years are as follows: 1969—\$1,033,793; 1970—\$1,082,586; 1971—\$916,580; 1972—\$1,250,804; 1973—\$926,968.

7. CAPITAL STOCK

| | Shares issued and outstanding | Amount | |
|---|----------------------------------|--------------------|--------------------|
| | | Canadian \$ | U. S. \$ |
| Authorized | | | |
| 2,000 5% cumulative \$500 par value first preferred shares redeemable at par (i) | 2,000 | 1,000,000 | 968,100 |
| 2,000 5% cumulative \$500 par value Class "A" preferred shares, redeemed during the year for cash. | — | — | — |
| 4,000 5% cumulative \$100 par value Class "B" preferred shares, redeemable at par (3,500 shares issued and subsequently redeemed) | — | — | — |
| 3 6% non-cumulative \$100 par value Class "C" preferred shares, issued and subsequently redeemed. | — | — | — |
| 7,382 Class "A" \$100 par value shares each convertible on or after May 1, 1977 into two common shares. | 7,382 | 738,200 | 704,100 |
| 88,418 common shares, no par value (including 103 shares issued during the year for cash) | 25,593 | 1,567,744 | 1,471,211 |
| | | <u>\$3,305,944</u> | <u>\$3,143,411</u> |

(i) Undeclared dividends in arrears at December 31, 1968 amounted to Can. \$25,000 (U.S. \$23,246), which was subsequently paid.

8. PRO FORMA CAPITAL STOCK

| | Shares issued and outstanding | Amount | |
|---|----------------------------------|--------------------|--------------------|
| | | Canadian \$ | U.S. \$ |
| Authorized | | | |
| 2,000 5% cumulative \$500 par value first preferred shares redeemable at par | 2,000 | 1,000,000 | 968,100 |
| 500,000 5 $\frac{3}{4}$ % cumulative \$20 par value second preferred shares redeemable at par | — | — | — |
| 10,000,000 common shares of \$.35 par value. | 873,600 | 305,760 | 283,592 |
| 6,000,000 deferred shares of \$.35 par value. | 4,872,329 | 1,705,315 | 1,581,680 |
| | | <u>\$3,011,075</u> | <u>\$2,833,372</u> |

9. CAPITAL STOCK OPTIONS TO OFFICERS AND EMPLOYEES

The capital stock reserved under the employees option plans (as amended on June 10, 1969) and the details of options granted and exercised to December 31, 1968 and June 10, 1969 are as follows:—

| | Balance Sheet | | Pro Forma Balance Sheet (see note 1) | | |
|----------------------------------|----------------------------------|-----------------------|---|--|-------------------------|
| | No par value common shares | Price per share | \$0.35 par value common shares | \$0.35 par value deferred shares | Price per share |
| Reserved | 2,000 | | 218,206 | 41,872 | |
| Granted and exercised: | | | | | |
| —to December 31, 1968. | 147 | | | 19,116 | |
| —subsequently (see note 1) | 88 | | | 11,443 | |
| | <u>1,765</u> | | <u>218,206</u> | <u>11,313</u> | |
| Granted but not exercised: | | | | | |
| —to December 31, 1968. | 224 | U.S. \$595-U.S. \$680 | 17,815 | 11,313 | U.S. \$4.58-U.S. \$5.23 |
| —on June 10, 1969. | | | 80,600 | | Can. \$15.50 |
| Still reserved. | | | <u>119,791</u> | <u>—</u> | |

Options expire five years from the date granted.

In 1967 options to purchase 100,000 shares of an Australian subsidiary were granted to employees at Australian \$1.50 each (U.S. \$1.67) exercisable between 1970 and 1972.

10. CONTRIBUTED CAPITAL

Contributed capital consists of premiums on issue of Class "A" and common shares as follows; 1964—\$398,100; prior to 1964—\$1,614,500 and pro forma (reflecting Note 1 changes)—\$6,909,781.

11. RETAINED EARNINGS

Included in retained earnings (consolidated balance sheet only) is an amount of \$968,100 equal to the par value of the Class "A" preferred shares redeemed in 1968, which has been set aside according to law.

No provision has been made for withholding and other taxes which may be payable on distribution of retained earnings by the foreign subsidiary companies to the parent company. Under existing legislation, dividends received by the parent company from its subsidiaries are not subject to tax in Canada.

Based on the assumption that the total available retained earnings of all foreign subsidiaries as reflected in the consolidated accounts could be and were distributed in the form of dividends, the taxes at existing rates withheld from dividends would aggregate approximately \$2,050,000.

Funds situated in various countries in which the group operates are subject to exchange regulations which are dependent upon the nature of the funds and regulations existing in a particular country at any one time. In the main, only minor restrictions exist on the withdrawal of cash of a current nature, such as dividends. Major withdrawals of funds of a capital nature may however become subject to exchange restrictions.

12. CONTRACTUAL COMMITMENTS

- (a) Various companies in the group have commitments under long-term leases. It is estimated that annual rentals of \$139,000 are payable over the terms of the leases which expire at varying dates to 2061. Certain annual rentals are subject to review and revision from time to time during the lease periods.
- (b) Guarantees totalling \$250,000 have been given in respect of bank loans to unconsolidated subsidiaries. In addition, guarantees have been given for miscellaneous loans not exceeding \$100,000.
- (c) At December 31, 1968 there existed a contingent liability for bills under discount of \$2,032,000 and for capital commitments of \$735,000. In addition, a subsidiary has agreed to extend a loan to a customer for \$500,000.

13. DEPRECIATION AND AMORTIZATION

Depreciation and amortization charged in the accounts for the five years ended December 31, 1968 was: 1968—\$2,638,848; 1967—\$2,349,403; 1966—\$2,226,062; 1965—\$2,080,400; 1964—\$1,829,100.

AUDITORS' REPORT

To the Board of Directors,
Hunter Douglas Limited.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Hunter Douglas Limited and subsidiaries as at December 31, 1968 and the consolidated statements of income and retained earnings for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. Our opinion expressed herein, in so far as it relates to the foreign subsidiaries of the company of which we are not the auditors, is based solely upon the reports of other auditors which were furnished to us.

In our opinion:

- (a) The accompanying consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1968;
- (b) The accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1968, after giving effect to the changes set forth in note 1;
- (c) The accompanying consolidated statements of income and retained earnings present fairly the results of the operations of the companies for the five years ended December 31, 1968;

all in accordance with generally accepted accounting principles applied on a consistent basis.

Montreal, June 11, 1969

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

June 11, 1969

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act, 1967 (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act, 1966 (Ontario), Part VII of The Securities Act, 1968 (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts.

HENRY SONNENBERG

Chairman

FRANK BALDWIN CRAIG

Treasurer

On behalf of the Board of Directors

RALPH SONNENBERG

Director

MARK OLIVER LAWRENCE LYNTON

Director

DIRECTORS

H. SONNENBERG

W. L. HEYMAN

J. H. COLEMAN

C. F. KARSTEN

F. B. CRAIG

M. O. L. LYNTON

G. P. FLECK

A. C. POND

H. J. FRANK

R. SONNENBERG

By his signature affixed below the undersigned has, both personally and pursuant to powers of attorney duly executed, signed this prospectus on behalf of all Directors of Hunter Douglas Limited above.

MARK OLIVER LAWRENCE LYNTON

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia), Part 7 of The Securities Act, 1967 (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act, 1966 (Ontario), Part VII of The Securities Act, 1968 (Manitoba), section 13 of the Securities Act (New Brunswick) and under the Securities Act (Quebec) and by the respective regulations made under said Acts.

GREENSHIELDS INCORPORATED

By: B. P. DRUMMOND

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of Greenshields Incorporated: Peter Kilburn, Viscount Hardinge, Dudley Dawson, J. E. Brookes and W. T. Moran.



| | | |
|---|-----------|--|
| Gustav Peter Fleck Campbell Road, Bernardsville New Jersey, U.S.A. | Director | Chairman, New Court Securities Corporation; Chairman, Amsterdam Overseas Corporation; Partner, N. M. Rothschild & Sons |
| Hans Jesse Frank 211 Central Park West New York, N.Y., U.S.A. | Director | Lawyer, Strasser, Spiegelberg, Fried & Frank |
| Walter Leo Heyman Hill House, Bute Avenue Petersham, Surrey, England | Director | Executive Officer (Corporate Diversification), Hunter Douglas Limited |
| Dr. Christian Friedrich Karsten Rijksweg Oost 15 Laren, Holland | Director | Managing Director, Amsterdam-Rotterdam Bank N.V. |
| Mark Oliver Lawrence Lynton 203 Fox Meadow Road Scarsdale, N.Y., U.S.A. | Director | Management Consultant, Spencer Stuart & Associates |
| Alan Clarence Pond 92 William Edward Street Longueville, New South Wales Australia | Director | Managing Director, Hunter Douglas Limited of Australia |
| Ralph Sonnenberg 10 Konijnenlaan, Wassenaar Holland | Director | Executive Officer (Europe), Hunter Douglas Limited |
| John Lothar Bruhl 29 Picardy Road Baie d'Urfe, Québec, Canada | Secretary | Secretary, Hunter Douglas Limited |

All directors and officers of Hunter Douglas Limited have held their present business affiliations for the past five years except Mr. Gustav Peter Fleck who has been a partner of N. M. Rothschild & Sons since January 1, 1968, and chairman of New Court Securities Corporation since inception (July, 1967).

13. CERTIFICATE OF THE COMPANY

Pursuant to a resolution duly passed by its board of directors, the applicant Company hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange, and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



HUNTER DOUGLAS LIMITED
by: "FRANK BALDWIN CRAIG",
Treasurer
by: "JOHN LOTHAR BRUHL",
Secretary

14. CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

GREENSHIELDS INCORPORATED
by: "B. P. DRUMMOND"

15. DISTRIBUTION OF COMMON STOCK AS OF SEPTEMBER 23rd, 1969

| Number | | Shares |
|------------|--|----------------|
| 24 | Holders of 1 — 24 share lots | 359 |
| 213 | " " 25 — 99 " " | 9,665 |
| 406 | " " 100 — 199 " " | 41,895 |
| 138 | " " 200 — 299 " " | 27,960 |
| 45 | " " 300 — 399 " " | 13,628 |
| 10 | " " 400 — 499 " " | 4,000 |
| 47 | " " 500 — 999 " " | 26,025 |
| 76 | " " 1000 — up " " | 777,388 |
| <u>959</u> | Shareholders | <u>900,920</u> |
| | Total shares | |

